



C.L. "BUTCH" OTTER  
Governor

GAVIN M. GEE  
Director

October 11, 2017

Re: Idaho Money Transmitter License Inquiry – BitCoin Exchange

Dear \_\_\_\_\_:

The State of Idaho Department of Finance (Department) is in receipt of your email dated September 27, 2017 where you are representing a "Client" and request guidance and confirmation on the business model of the Client with respect to compliance with the State of Idaho's Money Transmitters Act ("ACT").

As you explain in your email, your Client operates a web site through which it sells Bitcoin and Ether from its own inventory. A payment processor verifies the payment and settles with your Client in fiat currency. After verifying the customer's identity and address through "know your customer" anti-money laundering requirements, your Client ships purchased tokens to its customer. To replenish the inventory, your Client purchases virtual currency from the secondary market. We understand your Client has no physical presence in the State of Idaho.

The Department would view this as a direct exchange of currency between two parties as a variation of a buy/sell agreement between the two parties. As such the Department has determined that an Idaho Money Transmitter license is not required.<sup>1</sup>

The Department does caution individuals and entities that are selling their own inventory of virtual currencies in exchange for fiat currency that any entity that pursues a scalable business model in this space will most likely converge to a scale where they are engaged in a business that will require licensure under the ACT.

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<sup>1</sup> This decision is based solely on the unique circumstances of the activity described and is not intended to service as precedent for any other money transmitter or applicant. This letter should not be construed as a finding that licensure is not required in other jurisdictions where other users may reside.

SECURITIES BUREAU

800 Park Boulevard, Suite 200, Boise, ID 83712

Mail To: P.O. Box 83720, Boise ID 83720-0031

Phone: (208) 332-8004 Fax: (208) 332-8099

<http://finance.idaho.gov>

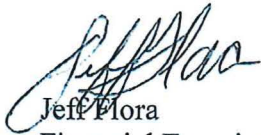
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Should your business plan deviate from the facts outlined in the correspondence, it is possible that the Department would take a different position than the one noted in this letter.

If you have questions or comments on this matter, please contact the undersigned at [jeff.flora@finance.idaho.gov](mailto:jeff.flora@finance.idaho.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Flora", is written over the printed name.

Jeff Flora  
Financial Examiner / Investigator  
Idaho Department of Finance  
Securities Bureau

## Jeff Flora

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**From:** Coleen Hodson  
**Sent:** Wednesday, September 27, 2017 2:07 PM  
**To:** Norman Real; Jeff Flora  
**Subject:** RE: Idaho Money Transmitter Inquiry

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Jeff, will you please respond.  
Coleen

**From:** Norman Real  
**Sent:** Wednesday, September 27, 2017 11:00 AM  
**To:** Coleen Hodson <coleen.hodson@finance.idaho.gov>  
**Cc:** Jeff Flora <Jeff.Flor@finance.idaho.gov>  
**Subject:** FW: Idaho Money Transmitter Inquiry

Please see the email below.

Norman

**From:** Norman Real  
**Sent:** Wednesday, September 27, 2017 10:59 AM  
**To:** '  
**Subject:** RE: Idaho Money Transmitter Inquiry

Dear ,

Thank you for your inquiry, the Department will review the information provided.

Once the information has been reviewed, the individual assigned to your inquiry will contact you.

Best Regards,



Norman Real, Financial Examiner/Investigator  
Idaho Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031  
(208) 332-8082  
Email: [norman.real@finance.idaho.gov](mailto:norman.real@finance.idaho.gov)

**From:** ]  
**Sent:** Wednesday, September 27, 2017 10:36 AM  
**To:** Norman Real <[norman.real@finance.idaho.gov](mailto:norman.real@finance.idaho.gov)>  
**Subject:** Idaho Money Transmitter Inquiry

Norman,

I spoke with a representative in your office on Sept. 6<sup>th</sup> who relayed that in order to opine on whether an entity needs to obtain a money transmitter license, you need to receive an email describing all business conducted by that entity. I am writing on behalf of a client who engages *only* in the following activities:

- It operates a website on which it sells Bitcoin and Ether from inventory the company holds.
- Customers register on the site and go through a KYC procedure to get their accounts verified for purchase.
- When making a purchase, customers are prompted for their credit card information, as well as a destination address (to which they wish to receive the coins purchased). The credit card payment is then processed by a third-party processing partner.
- Once the payment processor verifies the payment, our client sends the purchased tokens to the destination address provided by the customer. The payment processor sends our client the settlement funds.
- Our client does not hold customers' funds or deposits and it does not maintain a credit of any sort (it does not store customers' tokens). Our client purchases inventory from the secondary market.
- Please note that our client is a FinCEN-registered money services business.

Could you please let me know if, under this fact pattern, our client would be required to obtain a money transmitter license in Idaho?

Many thanks,

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